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HART SCHAFFNER & MARX



Twenty-first Annual Report
November 28, 1931

HART SCHAFFNER & MARX
CHICAGO NEW YORK

New York, January 25, 1932

To the Stockholders
of Hart Schaffner & Marx

On behalf of your Board of Directors we submit the financial Statement of the Company for the fiscal year ending November 28, 1931, together with the report of the auditors, Price, Waterhouse & Company

The Company ended the year with no indebtedness for borrowed money, the liabilities consisting only of current items and taxes. The ratio of current assets to liabilities is over 15 to 1

There were two main factors that brought about the loss sustained in the year's operations. The first was the general serious and far-reaching business depression which markedly curtailed sales. With curtailed sales it is obvious that fixed charges, such as rents, are wholly out of proportion to volume of business done, and intensify losses. In addition to the prevalent desistance from buying on the part of the public generally, business was also affected by the unusual weather conditions. The other main factor was a decided reduction in the prices of our products which became effective at the opening of the Fall season and which meant a substantial mark-down in both wholesale and retail stocks. The reduction in price was made the occasion of extensive promotional work and while all the expense of this was charged against last year's operations, its effect appears highly satisfactory and its value to the business will doubtless extend beyond the year in which the expense was incurred

Inventories of materials, finished and partly finished merchandise on hand or in transit, have been valued strictly on the basis of current market. A somewhat larger inventory shown as compared with the year previous is due to plans for better service to distributors and is working out satisfactorily. This is apparent from the fact that the re-order business throughout the past year has shown a gain over the previous year

Indicative of the times, losses from bad debts on customers' accounts for the year 1931 were \$228,674, compared to \$110,180 for the year previous. The policy of carrying a substantial reserve against book accounts has been continued

Expenses for the coming year will be much lower than the past year by reason of rigid economies that have been put into effect. Reductions in salaries and wages have been made throughout the organization

Future prospects are necessarily dependent on the general business situation. Retail stores are carrying considerably smaller stocks and have also pared overhead. Our product has met and is continuing to meet favorable reception and from every point of view is more attractive than any product that the Company has ever produced

Respectfully submitted

MARK W. CRESAP
Chairman

ALEXANDER M. LEVY
President

BALANCE SHEET —

<i>Current Assets</i>		<i>Assets</i>	
Cash		\$850,563.49	
Notes and Accounts Receivable (less reserves), including amounts due from subsidiary companies covered by net quick assets		7,543,342.11	
Inventories of materials and finished and partly finished merchandise on hand and in transit, at cost or market, whichever is lower		2,471,275.70	
Sundry accounts		293,450.55	
Prepaid insurance, taxes, etc.		<u>80,367.85</u>	\$11,238,999.70
Investments in, and advances to subsidiary companies, less reserve			2,584,375.05
Company's Capital Stock held in Treasury—at par			296,300.00
Shop Equipment and Fixtures, including Office Furniture,		\$1,163,555.95	
Less—Depreciation Reserve		<u>818,194.53</u>	345,361.42
Good Will, Trade Names and Trade Marks		\$15,000,000.00	
Less—Amount written off in 1920		<u>5,000,000.00</u>	<u>10,000,000.00</u>
			<u>\$24,465,036.17</u>

NOVEMBER 28, 1931

Liabilities

Current Liabilities

Trade accounts payable	\$229,647.78	
Liability for goods in transit	135,275.82	
Accrued pay rolls, etc.	165,265.25	
Accrued taxes	<u>189,385.98</u>	\$719,574.83

Capital Stock

Common—Authorized and issued 150,000 shares of \$100.00 each	\$15,000,000.00
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Reserve for contingencies	\$1,500,000.00
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Surplus per accompanying statement	<u>7,245,461.34</u>
	<u><u>\$24,465,036.17</u></u>

SURPLUS AND PROFIT AND LOSS ACCOUNT

FOR THE FISCAL YEAR ENDING NOVEMBER 28, 1931

Loss of parent company for the year,

After providing for manufacturing, marketing
and administrative expenses, depreciation
of equipment and doubtful accounts

\$976,004.25

Add—

Reserve in respect of losses of subsidiary
companies for the year

\$2,018,575.95

Total loss for year

\$2,994,580.20

Surplus at November 29, 1930

\$11,671,969.24

Deduct—

Adjustments of investments
as of November 29, 1930.

In respect of parent com-
pany profit included in in-
ventories of subsidiaries at
beginning of year

\$473,481.08

In respect of other inven-
tory adjustments of sub-
sidiaries

358,446.62

831,927.70

\$10,840,041.54

Deduct—

Dividends paid

600,000.00

10,240,041.54

Unappropriated Surplus

At November 28, 1931

\$7,245,461.34

Report of Accountants

To the Stockholders of
Hart Schaffner & Marx

We have made an examination of the books and accounts of Hart Schaffner & Marx, and those of its wholly owned subsidiary companies, for the fiscal year ending November 28, 1931, and have been furnished with all the information and explanations we have required

The accompanying Balance Sheet includes the assets and liabilities of the parent company, the investments in and advances to subsidiary companies being stated as such in the Balance Sheet after making provision for losses of such companies to November 28, 1931

The merchandise and material on hand and in transit, as shown by inventories certified by the responsible officials, are stated in the Balance Sheet at cost or market, whichever is lower. Ample provisions have been made for doubtful accounts receivable, for discounts and for all ascertained liabilities. The cash and bank balances have been verified by actual count or by certificates from depositories

We report that, in our opinion, the Balance Sheet and relative Surplus and Profit and Loss Account fairly set forth the financial position of the company on November 28, 1931

PRICE, WATERHOUSE & CO.

Chicago, January 22, 1932

